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STATEMENT TO THE LEGISLATURE

BY

THE HONOURABLE ERNIE EVES, Q.C.

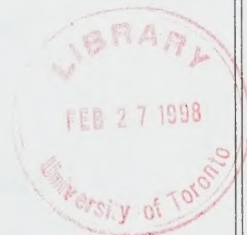
MINISTER OF FINANCE


ON THE

1997 Ontario Economic Outlook and Fiscal Review

DECEMBER 15, 1997

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ONTARIO'S ECONOMIC EXPANSION CONTINUES

I am pleased to provide the Legislature and the people of Ontario with a statement on the condition of the Province's finances and a report on the Ontario economy.

Since June 1995, the Government has followed its plan and kept its promises to the people of Ontario. The numbers prove that the plan is working for Ontario.

- Real economic growth at 4.4 per cent for 1997 proves it.
- 204,000 new private sector jobs in the last nine months show it.
- A 27 per cent increase in housing starts this year supports it.
- High consumer and business confidence numbers provide proof positive that our plan is working.

Province's finances on track

Ontario's second quarter finances show that the Government's balanced budget plan is on schedule.

The deficit for 1997-98 will decline to \$5.6 billion from the \$6.6 billion projected in the 1997 Budget.

THE JOB IS NOT DONE

Some argue that the Province's recent economic and fiscal performance warrants a return to the old policies of "tax and spend."

While a great deal has been accomplished to date, there are five billion, six hundred million reasons why the job is not done and our commitment to fiscal responsibility must continue.

Debt continues to rise

For many years, governments mortgaged and re-mortgaged future generations' prosperity and the future of Ontario's economy - and the debt grew out of control.

Debt more than doubled in the period 1990 to 1995, and tripled in the 10 years between 1985 and 1995.

Debt payments threaten public services

Ontario now spends \$9 billion a year just to pay the interest on its debt.

To put this \$9 billion in perspective, this amount is 35 per cent more than the cost of funding Ontario's hospitals this year.

To further put this in perspective, the \$9 billion in interest each year is equivalent to \$2,000 from every person who pays personal income tax in Ontario. This would be the entire amount of Ontario income tax paid by a single person earning \$31,640 in 1997.

Large debt distorts priorities

Every dollar spent on interest payments is a dollar that could have gone to pay for priority services.

It is a dollar that could have been used to invest in health care.

It is a dollar that could have been used to invest in education.

It is a dollar that could have been used to cut taxes.

CUTTING TAXES - CREATING A STRONG ECONOMY

The Government is making solid progress on our plan to bring the deficit to zero by the end of the year 2000-01.

To achieve this, the provincial economy will have to remain strong.

We must continue to improve the environment for jobs and investment in Ontario.

Putting money back in Ontarians' pockets

Tax cuts are playing a key role. In our first two budgets we have announced 30 tax cuts, including:

- cuts to income taxes; and
- cuts to payroll taxes.

Tax cuts do create jobs.

High Employment Insurance premiums kill jobs

The federal government should cut Employment Insurance premiums to \$2.20 per \$100 of insurable earnings now.

Eliminate Employment Insurance premiums for youth to create jobs

The federal government should also eliminate EI premiums for youth today to create much needed and immediate job opportunities for our young people.

SPENDING CONTROL IS STILL A TOP PRIORITY

When the Government assumed office almost two and a half years ago, we knew that we had to put a stop to out-of-control spending.

The Government must continue to make the difficult spending decisions that are required to balance the budget.

Ontario still has a deficit

The Government is just over half way to that goal. The Province still spends \$640,000 more each hour than it receives in revenues. At the half-way mark, much remains to be done.

Government must live within its means

Individuals and families understand that they cannot spend more than they have. Taxpayers have accepted the fact that government, too, cannot spend money it does not have.

All of the public sector must do its part.

Taxpayers have told us that spending must be affordable.

Spending must be flexible. Greater certainty of funding would support better expenditure planning and management.

Those in the best position to decide where to spend must be given the authority to make decisions, and they must be held accountable for the results of the decisions they make.

Aligning spending with the balanced budget plan

To align spending with the plan to balance the budget, the Government is proposing to establish two-year funding allocations for health, schools and post-secondary education.

The allocations will reflect both the amount necessary to support priority services and what Ontario taxpayers can afford. Once these allocations are set, the Government will work with its partners in these sectors to meet the needs of their communities from within these allocations and their other resources.

No one denies the challenge involved.

The allocations, and the other sources of funding that sectors have available, will provide a flexible, certain and accountable approach to meeting the challenge.

This government remains committed to the principles of pay equity.

Ministries will continue to ensure that pay equity funds are being provided for eligible pay equity costs.

Consistent with Justice O'Leary's ruling that government resources be distributed "fairly and equally" among all groups, I am announcing that the Government will provide \$140 million this year for one-time retroactive payments to cover proxy pay equity plans.

The Government will ask employees and employers to agree on the fairest distribution of the \$500 million in annual support for pay equity that the Province is committed to providing. This is the highest level in the Province's history and higher than any other province.

This funding level balances the importance of the program with what taxpayers can afford at this time.

The Government recognizes that up-front investments are needed to change the way services are provided and to support the transition to spending smarter and serving better.

Second Quarter Ontario Finances provide an additional \$900 million for restructuring and other charges beyond the \$610 million already provided in the 1997 Budget.

ALLOCATIONS FOR MAJOR SPENDING SECTORS

A health system that provides better services for people

We are making the necessary decisions to reform Ontario's health system to better meet our health care needs.

The goal is to ensure that Ontarians receive high quality health services at each stage of their lives.

In each year since we took office, the Government has increased spending on health care. In 1995-96, we spent \$17.6 billion operating the health care system.

In 1996-97, operating spending was increased to \$17.8 billion.

This year the Government will spend approximately \$18 billion providing operating health services to the people of Ontario.

Today, the Government is announcing an operating envelope that will increase funding for health to \$18.2 billion in 1998-99 and \$18.3 billion in 1999-2000. This amount does not include expenditures on capital and restructuring.

This funding envelope will allow for the necessary continued reinvestments in community-based health services.

Finding this amount of funding will not be easy. In addition to cutting taxes to create jobs, I am looking for the federal government to respond to the needs of the people of Ontario by restoring the \$2.1 billion in federal cuts to health care and post-secondary education in Ontario.

Committed to quality education

This Government is firmly committed to all students in Ontario receiving a quality education.

The Government will ensure stable and secure funding for schools during the January 1998 to August 1998 transition to the new school year.

School funding envelopes for the two years beginning September 1998, will be announced early in the new year.

In the 1997 Ontario Budget, the Government invited teachers to join with us in providing a voluntary early retirement benefit for teachers. The Government made a provision of \$250 million in the 1996-97 fiscal year for the Province's share of this \$500 million initiative.

This amount would be sufficient to provide, for example, eligibility for an unreduced pension for those with Factor 86. The early retirement program would be paid from the Teachers' Pension Plan, the cost to be shared with teachers on an equal 50/50 basis.

Today, I am repeating the Government's offer. In our consultations, many teachers told us that they would welcome such an option.

This offer has been on the table since May 6, 1997.

I am hopeful that discussions will take place over the next three months so that the Factor 86 retirement benefit, or perhaps even Factor 85, can be made available by the end of the 1997-98 fiscal year.

Colleges and universities

The post-secondary education system must manage its resources carefully to ensure that Ontario maintains its outstanding system of post-secondary education and research.

This Government is committing to a two-year budget for post-secondary education including student assistance, starting at two billion seven hundred and ninety million dollars for 1998-99, up some thirty million dollars from 1997-98, and growing to two billion eight hundred and forty million dollars in 1999-2000, up eighty million dollars from 1997-98.

No university or college will be required to raise tuition fees in either 1998-99 or 1999-2000.

Boards of governors at universities and colleges may, where they deem it necessary to improve the quality of students' programs, choose to increase average tuition fees by up to five per cent in 1998-99 and up to a further five per cent in 1999-2000.

If boards of governors decide to invest in additional educational program improvements, they may choose to approve an additional increase of up to five per cent in each of these two years.

Individual institutions will also have discretion to set tuition fees for graduate and professional programs at universities, for post-diploma programs at colleges, and for other college programs where job opportunities for graduates are virtually guaranteed and income after graduation is substantial.

The Government is well aware of the rising debt loads facing students and the different earning capacity of students graduating from different programs.

Colleges and universities that choose to increase their fees will be required to set aside a portion of their operating grants equal to 30 per cent of any new revenues from tuition increases for the purpose of providing assistance to students in need.

This is consistent with the recommendation of the Smith Advisory Panel on Post-Secondary Education that institutions charging higher fees be required to devote 30 per cent of the increase to student aid.

This action builds on the success of the Ontario Student Opportunities Trust Fund program, which will assist approximately 180,000 qualified students over the next decade by creating permanent trust funds with assets of approximately \$600 million dollars.

Finally, within this new tuition policy framework, the Government will require institutions that increase fees to help address shortages in scientific and technical programs where the demand from prospective students and employers greatly exceeds the places available.

The Honourable Dave Johnson, Minister of Education and Training, will provide details on these measures.

In addition, as the First Ministers have just agreed, we are committed to working with the federal government on:

- guaranteed access to post-secondary education for all qualified students;
- income contingent student loan programs; and
- a review of students' total debt levels.

CONCLUSION

The evidence is clear. The Government's plan is working for Ontario.

All indicators lead to this conclusion.

When Ontarians told the Government to cut taxes, spend their tax money more wisely and let the private sector get on with creating jobs and investments, they were right.

Ontario has once again become one of the best places in the world in which to live, work and invest. With the commitment and measures outlined today, our Government is confident that Ontario will continue to prosper, both economically and socially, into the next millennium.

While we all feel a sense of accomplishment, we must not forget that the job is not done. Ontario's debt continues to grow.

The Province must continue to manage its finances carefully. Otherwise we leave young Ontarians with the overdue bill from an overused credit card.

We are resolved to tackle this significant threat and look forward to an Ontario where all taxpayers' dollars can go to those things which are the hallmarks of our great Province: social justice, first-class health care, quality education and support for those truly in need - because the people of Ontario, the children of Ontario, deserve no less.

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